HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK
Hamilton and Brantford CMAs

CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Spring 2013

Market at a Glance

- Existing home sales to gradually recover in the second half of 2013.
- Existing home average price growth in Hamilton and Brantford will mirror the national rate of inflation in 2014.
- Total housing starts in Hamilton and Brantford will finish 2013 at a lower level before seeing a modest rebound in 2014.
- Higher net migration, improving job creation and income growth will support Hamilton's housing market recovery in the second half of 2013.

Figure 1

Hamilton CMA Existing Home Sales & Average Price

Source: CREA (MLS®); f = CMHC forecast; SAAR = Seasonally Adjusted Annualized Rate
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The forecasts included in this document are based on information available as of April 26, 2013.

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Resale Home Market

Existing home sales to gradually recover in second half of 2013

With mortgage rates expected to remain relatively low in the next year, a higher number of financially stable young professionals will move into the homeownership market particularly in the second half of this year. Looking further ahead, existing home sales are poised to fully recover in 2014 as many buyers will likely catch up on delayed purchases. During the housing market slowdown in the second half of 2012 through early 2013, some prospective home buyers had postponed their purchase dampening Hamilton's existing home sales during the aforementioned period.

Evidently, the number of existing home sales across the Hamilton CMA in April 2013 advanced significantly relative to the same month last year. The upswing in existing home sales this April marked the first year-over-year increase since February 2012. If the current strength continues, it may indicate that prospective homebuyers have adjusted to the slight increase in homeownership costs. Additionally, the average home price gap between Hamilton and the Greater Toronto Area (GTA) remains significant enough to encourage more people to move from the GTA into the Hamilton CMA.

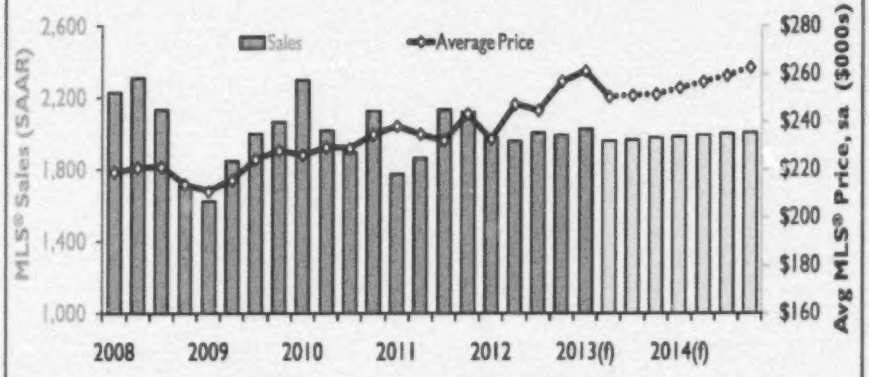
Housing market recovery will be unevenly distributed

Even as existing home sales increase in 2014, the growth will be unevenly distributed across the CMA in different stages of recovery. In some areas, the shortage of inventory will be more pronounced, leading to multiple bids from buyers and subsequently faster price growth.

While the belated spring home buying season encourages more listings in the next few months, the increase is unlikely to keep up with pent up demand in places such as Hamilton West, Dundas and Stoney Creek. As well, areas with higher proportion of retirees will see fewer new listings as more baby boomers are staying in their homes longer rather than moving or downsizing. Conversely, areas that are relatively more expensive and have exhibited narrower home price gap with the GTA will see slightly higher level of new listings in 2014. Overall, new listings of existing homes in the Hamilton CMA will increase in 2014. With better balance between demand and supply, price increases will mirror

Figure 2

Brantford CMA Existing Home Sales & Average Price



Source: CREA (MLS®); f = CMHC forecast; SAAR = Seasonally Adjusted Annualized Rate
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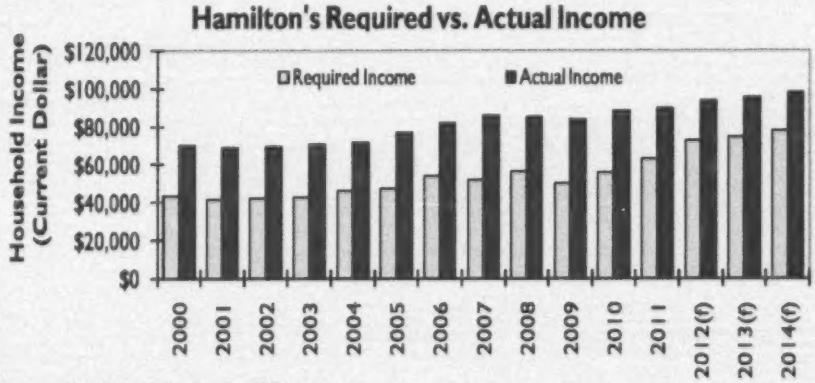
Figure 3

Hamilton's Required vs. Actual Income



Source: CMHC, Statistics Canada, CREA.
Required Income is mortgage carrying costs divided by 0.32 to reflect the usual 32 per cent gross debt service ratio. Mortgage carrying costs are calculated on the average MLS® price, a 10 per cent down payment, the fixed five-year mortgage rate and the longest available amortization.

the national rate of inflation in 2014.

Housing market condition trending towards balanced territory

As a predictor of future average MLS® price gains, the current sales-to-new-listings ratio (SNLR) is trending towards balanced market conditions in both Hamilton and Brantford. For several years, the SNLR has held firmly in sellers' territory. The ratio is expected to drift slightly lower in 2014 as more sellers are enticed to list their property mainly due to steady price appreciation. A consistent drop in the ratio generally leads to a future moderation in existing home average price growth – a condition that underscores CMHC's expectation for next year.

Given that prices are projected to grow more slowly coupled with steady income gains, homeownership affordability in Hamilton and Brantford will improve slightly by the second half of 2013. According to the latest CMHC calculation, the required income to buy a home in Hamilton and Brantford is projected to decline relative to the actual income for the average household. Improved affordability will attract more prospective homebuyers which may further support the housing market recover in the second half of 2013.

New Home Market

Hamilton total housing starts to rebound in 2014

Total housing starts in the Hamilton CMA will finish 2013 at a lower level before seeing a modest rebound in 2014. Despite the expected decline in total housing starts this year, the apartment segment will do well as

Figure 4

Source: CMHC, Statistics Canada, CREA

Required Income is mortgage carrying costs divided by 0.32 to reflect the usual 32 per cent gross debt service ratio. Mortgage carrying costs are calculated on the average MLS® price, a 10 per cent down payment, the fixed five-year mortgage rate and the longest available amortization.

builders in the Cities of Hamilton and Burlington shift focus in favour of high-rise structures. With land supply issues prevalent in both cities, intensification is increasingly becoming a viable option for residential development, particularly in the downtown areas.

Row and condo apartment structures gaining traction

In addition to the land supply issues, the demand for row and condo apartment structures has been supported by an increasing number of first time buyers coming to Hamilton from the GTA. Generally, first time buyers tend to accept longer commutes as the price differential between the GTA and Hamilton CMA widens. Therefore, expect row and condo apartment starts in the City of Burlington to outperform as prices for these types of dwellings are offered at considerable discounts relative to the GTA. Price differentials within

Figure 5

Source: CMHC (Starts Survey);
f = CMHC Forecast : SAAR = Seasonally Adjusted Annualized Rate

the Hamilton CMA produce a similar impact. Some repeat buyers who are looking for larger space will move to areas such as Hamilton Centre, Hamilton East, Hamilton Mountain, Glanbrook and Stoney Creek where single-detached dwellings sell for less than half the price in Flamborough, Burlington and Ancaster.

On balance, expect single-detached housing starts in Hamilton to stabilize by the end of the third quarter 2013. A pick-up in construction of this housing type is projected in the fourth quarter as limited new listings in the existing home market restrict buyers' choice. This in turn encourages some move-up buyers to satisfy their needs through the new home market. Typically single-detached housing is the preference for most move-up buyers.

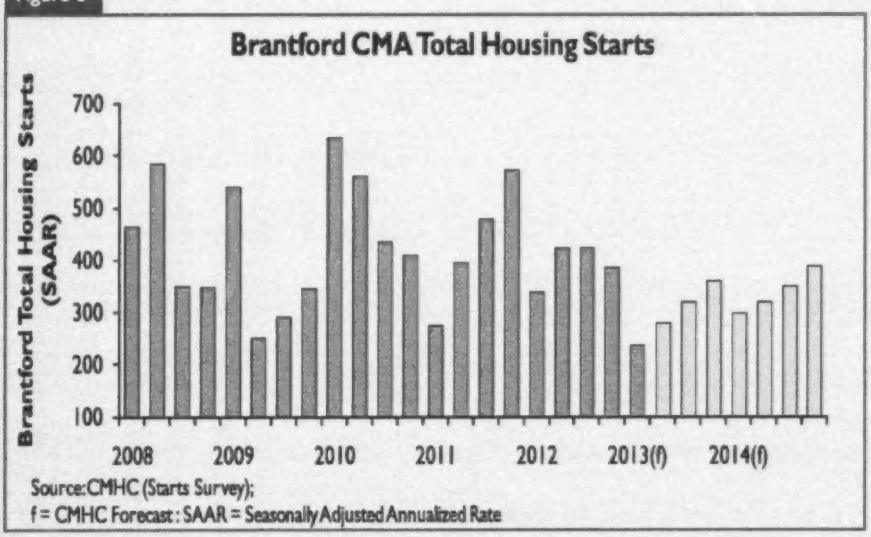
Single-detached housing to remain first choice in the Brantford CMA

As in Hamilton, total housing starts in the Brantford CMA is expected to slow this year but will stay close to the past five-year average and in line with recent rates of household formation. As well, single-detached housing starts will decline slightly this year after reaching a four-year high in 2012. Expect a rebound in single-detached housing starts next year, as some move-up buyers from the more expensive surrounding markets will migrate to the Brantford CMA in search of a more affordable lifestyle.

Given the composition of families that are coming to the area, single-detached housing will continue to dominate Brantford's residential construction at least in the medium term. Essentially, buyers from the GTA interested in single-detached homes, which have been rare to find in Toronto, will boost the demand for this type of dwelling across the CMA. Meanwhile, no apartment starts are anticipated in 2013 as the rental market is still absorbing the increased number of apartment completions recorded last year.

Local Economy

Figure 6



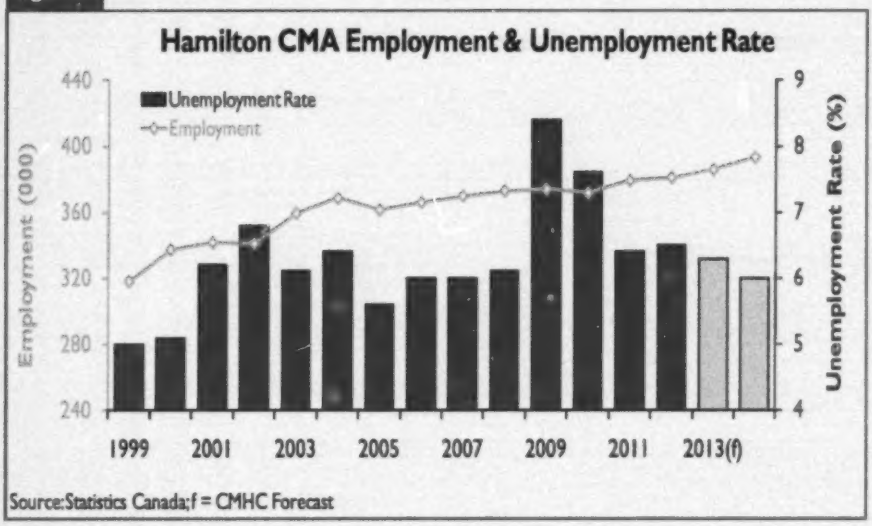
Source: CMHC (Starts Survey);
f = CMHC Forecast : SAAR = Seasonally Adjusted Annualized Rate

Hamilton's economy to pickup in the third quarter of 2013

Look for manufacturing employment in Hamilton to remain subdued through the first part of the year, before a strengthening U.S. economic recovery spurs export growth in the second half of this year and into 2014. In late 2012 through early 2013, fiscal concerns and tax changes likely weighed on U.S. consumer spending, dampening demand for imported consumer goods and automobiles. Later in the year, however, increased confidence in the economic recovery will stimulate U.S. import demand which in turn may accelerate export growth in Ontario. Growing American optimism is already beginning to push up the value of the U.S. dollar against the Canadian dollar, giving Canada's exports a price advantage. The U.S. has always been Canada's largest trading partner.

Specifically, Hamilton's economy is projected to pick up steam in the third quarter of 2013 through 2014. Following the 2008 recession, Hamilton has been gradually diversifying its economy away from steel dominance. While the steel industry is still a player, other components within the manufacturing sector have been gaining traction. Prominent projects coming to fruition next year include the Maple Leaf's state-of-the-art meat processing plant which will be the largest and most innovative in Canada. Located in the Red Hill Business Park, this $395 million facility will bring approximately 670 new jobs to Hamilton. As well, directly across the road from the Maple Leaf's Food processing operation will be the Navistar distribution centre which

Figure 7



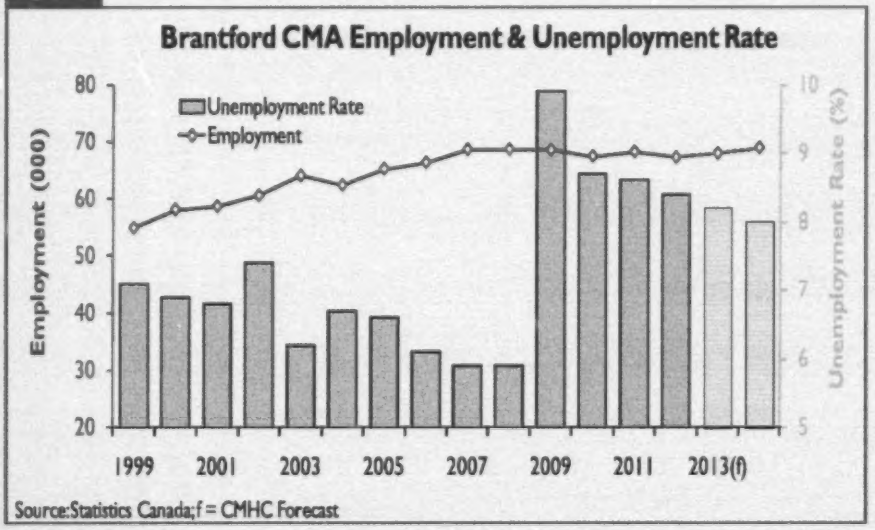
Source: Statistics Canada; f = CMHC Forecast

is expected to be completed by May 2014. Navistar is one of the world's leading truck, bus, recreational vehicle, and diesel engine manufacturers.

Net migration in Hamilton and Brantford to continue support housing demand

The Hamilton and Brantford CMAs will continue to attract newcomers – particularly migrants coming from the GTA. Based on recent trends, the house price differential between Toronto and Hamilton remains significant enough to encourage more people to move from the GTA into the Hamilton CMA. Consequently, the Hamilton CMA has seen net migration doubled from recession levels. Looking ahead, in the next two years, net migration in Hamilton and Brantford will remain above 5,200 and 400 respectively. In terms of demographic composition, both CMAs will see a higher number of first time buyers as well as retirees.

Figure 8



Source: Statistics Canada; f = CMHC Forecast

Mortgage Rate Outlook

Mortgage rates to see modest and gradual increases, but will remain low

In line with the consensus among private-sector forecasters, increases in the Target Overnight Rate by the Bank of Canada are not anticipated before mid-2014, later than anticipated at the time of the 2013 First Quarter Housing Market Outlook. This reflects the downward revisions in GDP forecasts since the publication of the First Quarter Housing Market Outlook, particularly the expectations of a slower economy in 2013. The expected delay in interest rate increases will continue to be supportive of housing market activity over the forecast horizon.

According to CMHC's base case scenario for 2013, the one-year mortgage rate is forecast to be within 3.00 per cent to 3.25 per cent with an average of 3.13 per cent, while the five-year posted mortgage rate is anticipated to be within 5.00 per cent to 5.50 per cent with an average of 5.28 per cent. For 2014, the one-year posted mortgage rate is expected to rise and be in the 3.25 per cent to 3.75 per cent range with an average of 3.42, while the five-year posted mortgage rate is forecast to be within 5.25 per cent to 5.75 per cent with an average of 5.53 per cent, consistent with higher economic growth prospects in 2014.

Forecast SUMMARY Hamilton CMA Spring 2013	2010	2011	2012	2013f	% chg	2014f	% chg
New Home Market							
Starts:							
Single-Detached	1,753	1,370	1,389	1,200	-13.6	1,300	8.3
Multiples	1,809	1,092	1,580	1,450	-8.2	1,500	3.4
Semi-Detached	246	28	94	40	-57.4	90	125.0
Row/Townhouse	933	675	1,040	630	-39.4	950	50.8
Apartments	630	389	446	780	74.9	460	-41.0
Starts - Total	3,562	2,462	2,969	2,650	-10.7	2,800	5.7
Average Price ($):							
Single-Detached	453,563	489,385	514,193	526,000	2.3	532,500	1.2
Median Price ($):							
Single-Detached	405,900	408,181	457,900	--	n/a	--	n/a
New Housing Price Index (% chg.)	1.6	0.8	1.6	1.5	-	1.3	-
Resale Market							
MLS® Sales	12,934	13,932	13,035	12,600	-3.3	13,000	3.2
MLS® New Listings	20,200	20,869	18,407	19,000	3.2	21,500	13.2
MLS® Average Price ($)	311,683	333,498	360,059	369,600	2.6	377,000	2.0
Rental Market							
October Vacancy Rate (%)	3.7	3.4	3.5	3.2	-0.3	3.0	-0.2
Two-bedroom Average Rent (October) ($)	862	884	886	900	-	920	-
Economic Overview							
Mortgage Rate (1 year) (%)	3.49	3.52	3.17	3.00 - 3.25	-	3.25 - 3.75	-
Mortgage Rate (5 year) (%)	5.61	5.37	5.27	5.00 - 5.50	-	5.25 - 5.75	-
Annual Employment Level	371,800	379,400	381,200	386,000	1.3	393,600	2.0
Employment Growth (%)	-0.6	2.0	0.5	1.3	-	2.0	-
Unemployment rate (%)	7.6	6.4	6.5	6.3	-	6.0	-
Net Migration	6,512	5,449	5,384	5,200	-3.4	5,500	5.8

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

Forecast SUMMARY Brantford CMA Spring 2013							
	2010	2011	2012	2013f	% chg	2014f	% chg
New Home Market							
Starts:							
Single-Detached	280	231	286	240	-16.1	260	8.3
Multiples	224	197	116	60	-48.3	80	33.3
Semi-Detached	10	4	12	10	-16.7	12	20.0
Row/Townhouse	143	132	101	50	-50.5	60	20.0
Apartments	71	61	3	0	-100.0	8	n/a
Starts - Total	504	428	402	300	-25.4	340	13.3
Average Price ($):							
Single-Detached	346,660	353,197	406,176	416,500	2.5	422,000	1.3
Median Price ($):							
Single-Detached	309,000	309,900	345,000	--	n/a	--	n/a
New Housing Price Index (% chg.) (Ont.)	2.4	3.6	4.1	n/a	-	n/a	-
Resale Market							
MLS® Sales	2,086	1,971	1,983	1,980	-0.2	1,995	0.8
MLS® New Listings	3,409	3,311	3,371	3,400	0.9	3,500	2.9
MLS® Average Price ($)	229,679	237,283	245,435	253,000	3.1	258,000	2.0
Rental Market							
October Vacancy Rate (%)	3.7	1.8	3.5	3.2	-0.3	3.0	-0.2
Two-bedroom Average Rent (October) ($)	778	792	838	850	-	870	-
Economic Overview							
Mortgage Rate (1 year) (%)	3.49	3.52	3.17	3.00 - 3.25	-	3.25 - 3.75	-
Mortgage Rate (5 year) (%)	5.61	5.37	5.27	5.00 - 5.50	-	5.25 - 5.75	-
Annual Employment Level	67,400	68,200	67,200	67,900	1.0	68,900	1.5
Employment Growth (%)	-1.6	1.2	-1.5	1.0	-	1.5	-
Unemployment rate (%)	8.7	8.6	8.4	8.2	-	8.0	-
Net Migration (Ont.)	459	560	512	500	-2.3	550	10.0

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NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

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